REPLACEMENT NEEDED FOR SECTION 272 SAFEGUARDS

The Commission's reliance in the *LEC Classification Order* upon the separate affiliate requirements of Section 272 for forestalling anticompetitive conduct by the BOCs during the first three years of service was misplaced, because in practice these requirements have failed to protect competitors from BOC anticompetitive conduct.

58. As a threshold matter, the FCC, on numerous occasions, has found that BOCs have the ability to "leverage their market power in the local exchange and exchange access markets through cost-misallocation, raising their rivals' costs, improper discrimination to gain an advantage in the interexchange telecommunications services market, or a predatory price squeeze."[76] Initially, during the first three years of BOC long distance provision, the FCC determined that the Congressionally mandated requirements of Section 272 would provide sufficient check on these abilities, and therefore declined to regulate the BOCs as dominant in their provision of interstate, interLATA services.[77] Section 272 required structural separation of the BOC and long distance entities for the first three (3) years following a BOC's receipt of Section 271 authority in a particular state.[78] Interactions between the structurally separated BOC and long distance entities with respect to the use or provision of common or shared resources must conform to a set

76. *FNPRM,* at para. 29.

77. *LEC Classification Order,* at para. 134.

78. 47 U.S.C. § 272(b). The FCC has specifically characterized these requirements as "structural separation" in *Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended,* CC Docket No. 96-149, First Report and Order and Further Notice of Proposed Rulemaking, 11 FCC Rcd 21905 (1996) ("*Non-Accounting Safeguards Order*"), Rcd 21914.

of five conduct provisions set out at Section 272(b) and nondiscrimination requirements set out at Sections 272(c) and 272(e). These structural and transactional safeguards require that the BOC and its long distance affiliate: operate independently from the Bell operating company; maintain separate books, records, and accounts in the manner prescribed by the Commission; have separate officers, directors, and employees from the Bell operating company of which it is an affiliate; not obtain credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the Bell operating company; and conduct all transactions with the Bell operating company of which it is an affiliate on an arm's length basis with any such transactions reduced to writing and available for public inspection. In addition, Section 272 requires that the BOC not discriminate between that company or affiliate, and that it impute an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service. These last two requirements survive the sunset of Section 272.

59. The requirements listed above were the Commission's chosen solution to the potential for anticompetitive conduct stemming from BOC market power:

> In light of the requirements established by, and pursuant to, sections 271 and 272, together with other existing Commission rules, we conclude that the BOCs will not be able to use, or leverage, their market power in the local exchange or exchange access markets to such an extent that their section 272 interLATA affiliates could profitably raise and sustain prices of in-region, interstate,

> domestic, interLATA services significantly above competitive levels by restricting the affiliate's own output.[79]

This linkage between "sections 271 and 272, together with other existing Commission rules" and the BOCs' ability "to use, or leverage, their market power in the local exchange or exchange access markets" is no less valid today and for the foreseeable future than it was in 1997 when this determination was made. Put differently, were the Commission to permit the BOCs to operate as non-dominant, there is little doubt that the BOCs *would* "be able to use, or leverage, their market power in the local exchange or exchange access markets" to discriminate against competitive long distance providers and remonopolize the provision of long distance services.

60. The purpose of the Section 272(a) separate affiliate requirement, the Section 272(b) safeguards, the audit requirement of Section 272(d), and the Section 272(c) and 272(e) non-discrimination requirements was, and in many states continues to be, to forestall the potential for discriminatory and anticompetitive conduct arising out of the ability, as an *economic* matter, of the BOC to extend its market power in the *local* telecommunications market into the adjacent long distance market.[80] The Commission, prior to BOC long distance authority and the actual implementation of Section 272, noted that Section 272 contains all of the necessary elements to

---

79. *Non-Accounting Safeguards Order*, 11 FCC Rcd 21905, 15763.

80. *Conference Report on S. 652, Telecommunications Act of 1996* (House of Representatives- February 01,1996), *Congressional Record*, H1171.

constrain BOC exercise of this market power.[81] Despite this prediction, however, empirical evidence from states with Section 271 approval and subject to Section 272 requirements indicates that, as currently applied, Section 272 is not by itself sufficient to prevent discrimination and anticompetitive behavior by the BOC for the benefit of its long distance affiliate. The Commission's prior reliance on Section 272 to prevent this behavior was thus misplaced.

The BOCs' revealed implementation of the Section 272 requirements did not constrain their ability to use their local market power to discriminate against interLATA competitors.

61. Based upon the various Verizon and SBC Section 272(b)(5) affiliate transaction postings and service offers provided on the companies' websites[82] and the first Verizon Section 272 Audit report for New York and SBC Texas Audit,[83] it is apparent that the various interactions between the BOCs and their respective 272 long distance affiliates raise serious questions as to the actual, *de facto* extent of "separation" that prevails in practice as between the

81. *LEC Classification Order*, 12 FCC Rcd 15756, 15763.

82. http://www.verizonld.com/regnotices/index.cfm?OrgID=1; http://www.sbc.com/public_affairs/regulatory_documents/affiliate_agreements/0,5931,199,00.html

83. *In the Matter of Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996*, CC Docket No. 96-150, Reports of Independent Accountants on Applying Agreed-Upon Procedures, prepared by Pricewaterhouse-Coopers LLP, filed June 11, 2001 and June 18, 2001. ("*New York 272 Audit Report*"); *In the Matter of Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996*, CC Docket No. 96-150, Reports of Independent Accountants on Applying Agreed-Upon Procedures, prepared by Ernst & Young, filed September 16, 2002. ("*Texas 272 Audit Report*")

two supposedly separate corporate units, and therefore the effectiveness of the *current* 272 separations requirements. The BOC and its affiliate's ability to ignore, for all practical purposes, Section 272, negates what would otherwise be effective competitive safeguards.

62. The importance of maintaining *and effectively enforcing* the separation requirements of Section 272 cannot be overemphasized. Economic theory suggests that, above such regulatory constraints, BOCs have a powerful self-interest incentive to make the structural separation called for at Section 272 as transparent as possible. In fact, this point was made, albeit for a different purpose, in a recent study commissioned by Qwest in support of its various Section 271 applications.[84] The authors explain that

> Double marginalization occurs when two companies have a vertical supplier-customer relationship. The upstream company sets its price, and thus its margin between price and marginal cost, to maximize its own profits. The downstream company likewise sets its price and margin to maximize its profit, treating what it pays the upstream company as cost. If the upstream company begins to offer the downstream product also, it generally will set the final price of the downstream product to maximize its profits jointly from both the upstream and downstream products. The company offering the combined product will often find that it can increase its profits by lowering the price of the final product below price that

84. Jerry A. Hausman, Gregory K. Leonard and J. Gregory Sidak, "The Consumer-Welfare Benefits from Bell Company Entry into Long-Distance Telecommunications: Empirical Evidence from New York and Texas" ("Hausman/Leonard/Sidak" or "HLS"), 70 Antitrust L.J. 463 (2002). Although the authors do not cite the source of their funding in the paper, evidence adduced in the current Section 271 proceeding in Minnesota has identified Qwest as that source. *In the Matter of a Commission Investigation into Qwest's Compliance with Section 271(d)(3)(c)) of the Telecommunications Act of 1996 that the Requested Authorization is Consistent with the Public Interest Convenience and Necessity*, Before the Minnesota Public Utility Commission, PUC Docket No. P-421/CI-01-1373, Qwest response to DOC Information Request 18059.

> would be set in the previous situation. The company offering the combined product will take into account how a lower price on the final product will increase the sale of and profits from the upstream product, while a company offering only the final product will not.

Section 272(b)(5), in requiring that the BOC and its Section 272 affiliate deal with each other "at arm's length," represents an attempt to force the affiliate (the provider of the downstream product) to set its retail prices so as to maximize its own profits, just as any non-affiliated IXC, which is *only* operating in the (same) downstream product market, would be expected to do. But in fact, the BOCs, which supply the upstream (access) service, and their Section 272 affiliates, which supply the downstream (retail long distance) service, are setting their prices to maximize joint profits, as if Section 272 did not exist at all. SBC, BellSouth and Qwest each allow their Section 272 affiliates to cannibalize their BOCs' own customers, using their BOCs' own employees to do so, to migrate customers and revenue from the BOC to the affiliate for intra-LATA toll services. Verizon's Section 272 affiliate expressly conditions the availability of its unlimited interLATA long distance pricing plan on the condition that the customer also purchase a premium and highly profitable bundle of local and intraLATA services from the BOC. *These practices are clearly not consistent with arm's length conduct,* but they certainly do contribute to the corporate "bottom line" while squeezing out non-integrated downstream competitors. As the Qwest consultants observe:

> Although the analysis of double marginalization originally was derived for the case of monopoly, it also applies to imperfect competition, which characterizes telecommunications markets because of the large fixed and common costs. The Areeda-Hovenkamp antitrust treatise, for example, observes that "[t]he double marginalization model appears to make robust predictions that vertical integration

> results in increased output and lower prices any time the affected markets are something less than perfectly competitive." Under current regulatory policies, access and long-distance services are both sold at prices exceeding marginal (incremental) cost, so as to cover the large fixed costs of local and long-distance networks. Although access reform since the Telecommunications Act of 1996 has decreased the BOCs' access margin, it has not eliminated the entire margin. Thus, double marginalization still leads to the prediction that BOC entry into the in-region interLATA market will lead to lower long-distance prices. Our econometric findings are consistent with this economic analysis, which has not been taken into account by the DOJ and FCC in their Section 271 implementation analyses.

But lower long distance prices arising solely or primarily from BOC exploitation of integration efficiencies and joint profit maximization before the local market becomes fully competitive is clearly *not* what Congress had in mind, because if it were then Section 272 would not only have had no purpose, it actually would have interfered with that result. Congress expected *widescale* local competition to develop, and in that way the local/long distance integration efficiencies would have been available to BOCs and to entrants alike. But that did not happen. BOCs still control bottleneck upstream access services and still overwhelmingly dominate the local exchange market. If the BOCs are the *only* downstream providers that are permitted to benefit from these types of integration efficiencies, then they will ultimately be the only downstream providers to survive in the retail long distance mass market. And that outcome is clearly *not* what Congress intended, and will surely result in less competition and higher prices overall.

63. As AT&T has explained in its filings in response to the New York and Texas Audit proceedings, both Verizon and SBC systematically favor their affiliates in the provision of

special access facilities and timely resolution of trouble tickets.[85] Dr. Bell notes, "the limited data provided in the audits reveal that the differences in performance results are statistically significant."[86]

64. The BOCs have effectively removed all pricing requirements from their implementation of Section 272. Section 272(b)(5), as interpreted by the Commission, requires BOCs to price affiliate transactions according to the Commission rules codified at 47 CFR § 32.27. These affiliate transaction rules require the BOCs to price transactions between affiliates at the higher of fully distributed cost or fair market value. In the case where the BOC sells more than 25% of the service to a non-affiliate, the price charged by the BOC is presumptively the "fair market value," and therefore this "prevailing company price" is deemed an appropriate price for the affiliate transaction. In the case of Section 272 affiliates, however, the FCC determined that, since the BOCs are required to make all services provided to their Section 272 affiliates "generally available," BOCs may designate prices for services where less than 25% of the service is provided to non-affiliates as "prevailing company price."[87]

---

85. *In the Matter of Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996*, CC Docket No. 96-150, Declaration of Dr. Robert Bell on Behalf of AT&T, filed January 29, 2003; *In the Matter of Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996*, CC Docket No. 96-150, Declaration of Dr. Robert Bell on Behalf of AT&T, filed April 8, 2002.

86. *Id.* at para. 7.

87. *Accounting Safeguards Under the Telecommunications Act of 1996*, CC Docket No. 96-
(continued...)

65. The effect of the BOCs' implementation of the Commission's affiliates pricing rules has been for the BOCs to price services to affiliates at any price they wish. Clearly, by applying the affiliate pricing rules it applies generally to Section 272 affiliates in particular, the Commission intended to prevent cost shifting to the BOC. However, unlike most affiliate transactions, transactions between Section 272 affiliates and BOCs are required by statute to be made available to competitors so as to limit the BOCs ability to discriminate in favor of their long distance affiliate. However, instead of making services "generally available" to affiliates and competitors alike, and thus assuring that the prices charged to affiliates do not allow for cost shifting, the BOCs are tailoring their affiliate contracts so as to assure that their affiliates are the only eligible buyers.

66. Consider, for example, the matter of the SBC and Verizon billing and collection services that are furnished by the BOC to the 272 affiliate. Where the 272 affiliate's customer is also a BOC local service customer (as I have noted, SBC's 272 long distance affiliate, SBCS, in fact, will *only* provide service to customers of the local SBC operating company[88]), the incremental cost to the consolidated enterprise of including a customer's long distance billing on the local service bill — which will need to be prepared and mailed, and the payment received and

87. (...continued)
150, *Report and Order*, at para. 137, 11 FCC Rcd 17539, 17601 ("*Accounting Safeguards Order*").

88. The SBC website indicates that "SBC Long Distance provides long distance where arrangements exist with local providers in the SBC Southwestern Bell Telephone Company service area. Queries to the cite indicate that this service is not available to CLEC customers. http:/www.SWBell.com/Products_Services/Residential/ProdInfo_1/1,1973,187-6-3-15,00.html

processed, whether or not the customer subscribes to the affiliate's long distance service — is extremely small. No additional envelope or postage will be required,[89] and the costs of receiving and processing a payment will be entirely unaffected whether or not the payment includes the long distance charges.

67. Billing and collection, however, is classified as a "competitive" service, and as such the BOC has the legal authority and the economic incentive to price the service at whatever the market will bear. In offering this service to competing IXCs, this is precisely the BOCs' practice, and both SBC and Verizon offer billing services to IXCs for an average of over $1 per bill. However, in structuring their pricing of billing and collection services, both Verizon and SBC have also included a "volume discount pricing plan" that reduces the billing charge by an additional $0.10 per bill for Verizon and *over $0.70 per bill for SBC* provided that the billing and collection client agrees to commit 85% of its in-region billing to the BOC– regardless of the actual quantity of individual bills this represents. For example, if an IXC with a total of 10,000 customers commits to use the BOC billing service for at least 8,500 of them, it will be offered the discount; however, if another IXC with one million customers commits to use the BOC billing service for only 500,000 of them, it will not be offered the discount. Obviously, "cost" is not the issue here, in that the discount plan is wholly unrelated to any "volume" commitment made by the IXC. As a practical matter, of course, these "volume discounts" amount to a

89. In most cases, only one or two additional pages of billing will need to be produced, and can be included in the same envelope with no additional postage.

contrived device for discriminating in favor of the BOCs' affiliates vis-a-vis other IXCs, since only the BOCs' affiliates are likely to agree to the 85% "commitment" level.

68. Verizon and SBC also improperly price joint marketing services using Fully Distributed Cost methodologies instead of Fair Market Value. Since the BOCs are not required to provide joint marketing services to competing IXCs, they are unable to simply set a price and designate that price the prevailing market rate. Instead, both Verizon and SBC have ensured that the amount that their long distance affiliates pay the BOCs for joint marketing is significantly below any price that would satisfy the Commission's affiliate pricing requirements. The Commission explicitly requires that BOCs price all services provided to their Section 272 Affiliate that are not subject to tariff or Prevailing Company Pricing, at the higher of fair market value or fully distributed cost. Should the service not be available on the open market, this Commission requires that the BOC *estimate* a fair market value.[90] Yet instead of the conducting the required study and estimating the inbound channel's value, Verizon presented the Section 272 Auditors with a letter stating simply that "FMV could not be obtained for these services."[91] Moreover, Verizon failed to explain why it did not obtain an *estimate* of the fair market value for these

---

90. In its *Accounting Safeguards Order*, at 17610, the Commission sets forth "the baseline for a good faith determination of fair market value by requiring carriers to use methods that are routinely used by the general business community." The Commission anticipated that some services would be unique and found, "[w]hen situations arise involving transactions that are not easily valued by independent means, we require carriers to maintain records sufficient to support their value determination." Finally, the Commission notes, "nothing discussed here exempts carriers from their statutory obligation under section 220(c)) to justify their accounting entries."

91. *New York 272 Audit Report*, Appendix A at 21.

services. In the same manner, SBC claims that the fully distributed cost of joint marketing services is higher than the estimated fair market value (an assertion both unsupported by documentation in the Audit and which strains credulity). In California, SBC does not even charge its affiliate fully distributed cost, repeatedly indicating that a "true-up" would be made based upon the results of a time and motion study. According to the SBC Texas Audit, *that true-up had still not been made as of December 11, 2001, well over a year after the time and motion study was completed in August 2000.*[92] Significantly, perhaps the single most important element of the BOC-provided "joint marketing" services is the customer contact itself — the fact that a customer is contacting the BOC to order *local service* thereby providing the BOC with the unique opportunity to preemptively sell the affiliate's long distance service to that inbound caller. The BOCs' overwhelming share of the residential and small business market creates an overwhelming predisposition on the part of most consumers to initiate a contact with the BOC when ordering new local phone service. Indeed, that propensity is reinforced by a publication distributed by the United States Postal Service to customers filing a Change of Address notice that specifically recommends calling one of the BOCs for local telephone service (see Attachment 4). These inbound contacts are extremely valuable to the BOCs' long distance affiliates, enabling them to avoid the kind of massive spending on advertising and other promotional activities that other IXCs regularly confront. *All of the 'time and motion studies" in the world cannot possibly come even close to capturing this enormous value*, a value that is entirely *ignored* by the BOCs in pricing their "joint marketing" services to their long distance affiliates.

---

92. *Texas 272 Audit Report*, Attachment B-2, at 6 and Attachment B-1 at 3.

69. In providing services to their Section 272 affiliates, the BOCs thus ignore the explicit "arm's length transaction" prescription of Section 272(b)(5). Entities engaging in arm's length transactions are expected each to pursue their own self-interests. The entity providing the services is expected to impose the highest price that the buyer is willing to pay, and to limit the extent of any services provided to those that do not undermine the providing entity's own business interests. Certainly that is how BOCs generally conduct themselves in transacting business with CLECs and nonaffiliated IXCs. But when it comes to dealing with their affiliates, the "arms" seem to look a lot more like a hug.

70. A case in point is the BOC entity's conduct with respect to the marketing of *intraLATA* toll services, where the BOC competes directly with its Section 272 affiliate. Ordinarily, one would not expect a firm providing marketing services "at arm's length" to another firm to voluntarily seek to induce *its own customers* to discontinue use of that firm's services in favor of competing services that are offered by its client. Yet that is precisely what occurs every day when a BOC "markets" its affiliate's long distance services. The SBC, BellSouth and Qwest Section 272 affiliates all offer "unlimited" long distance calling plans that include both intra-LATA and interLATA calling, and as such *require* that the customer select the affiliate as his intraLATA PIC. This cannibalization of the BOC's customer base transfers earnings out of the regulated BOC entity and over to the nonregulated affiliate, a move that could ultimately erode the BOC's earnings to the point where it would seek rate relief from either the state commission or the FCC. And, of course, nothing in the "price" that the affiliate pays the BOC for delivering

its customers "on a silver platter" remotely reflects the enormous value that this practice confers upon the affiliate.

Additional anticompetitive BOC conduct stems from the BOCs' tying arrangements between their monopoly local and competitive intraLATA service offerings.

71. Even the linkage between local and intraLATA may be blurred and may force a BOC local service customer to select the BOC for the LPIC in order to qualify for bundled local/toll pricing packages. For example, in several of its northeast states, Verizon offers expanded local calling options under which certain routes that would ordinarily be subject to per-call toll charges are incorporated, either on a flat-rate or a measured-rate basis, into the subscriber's (expanded) local calling area. In Massachusetts, Verizon customers in the greater Boston area can elect a calling plan known as "Metropolitan Service" in which certain toll routes are then incorporated within the subscriber's unlimited local calling scope.[93] In other parts of the state, subscribers can order "Circle Calling Service," which effectively converts toll routes within a roughly 20-mile radius to local rate treatment.[94] IntraLATA calls beyond the expanded Metropolitan or Circle Calling service areas continue to be rated as toll. However, if the Verizon customer selects an IXC *other than Verizon* as that customer's intraLATA PIC, *all of the Metropolitan and Circle Calling calls that — but for the calling plan — would have otherwise*

---

93. Verizon Massachusetts, DTE MA No. 10, Part A, Section 6, original page 49, effective July 14, 1999.

94. Verizon Massachusetts, DTE MA No. 10, Part A, Section 6, original page 36, effective July 14, 1999.

been rated as toll will be routed to the presubscribed IXC, thereby subjecting such calls to toll charges and in so doing effectively eliminating the benefit of the optional expanded calling arrangement.

72. In New Jersey, a similar situation arises with respect to "Selective Calling Service," an expanded local calling plan in which the subscriber "selects" one or more nearby toll exchanges for block-of-time measured-use pricing,[95] as well as with a special no-charge, non-optional Intra-Municipality Calling ("IMC") service in which toll charges that might otherwise apply between points in different telephone exchanges within the same political subdivision are waived.[96] In May of 1997, concurrently with the implementation of intraLATA 1+ equal access in New Jersey, Verizon's predecessor (Bell Atlantic-New Jersey) sent letters to all of its Selective Calling and Intra-Municipality Calling Service subscribers warning them that if they were to chose an intraLATA IXC *other than Bell Atlantic*, they would lose their Selective Calling and Intra-Municipality Calling Services.[97] Bell Atlantic-New Jersey went even further in its attempt to link its local and intraLATA toll services when, in 1999, it proposed to bundle the first 25 minutes per month of intraLATA toll calling into the basic monthly rate for *local* residential

95. Verizon New Jersey, B.P.U. N.J. No. 2, Section A6, seventh revised page 18, second revised page 19, effective December 6, 1997; first revised page 20, effective September 1, 1999; sixth revised page 21, effective June 18, 2001.

96. Verizon New Jersey, B.P.U. N.J. No. 2, Section A6, second revised page 13.1-13.10, effective September 1, 1999.

97. Bell Atlantic New Jersey Letter, dated May, 1997.

service.[98] As with Selective Calling and Intra-Municipal Calling services, if the customer selected an intraLATA PIC other than Bell Atlantic-New Jersey, the customer would forego that 25 minutes worth of included intraLATA toll, but would realize no reduction in the monthly rate for the diminished service package. This particular local/toll bundling plan was subsequently withdrawn by Bell Atlantic in the face of New Jersey Board of Public Utilities (NJBPU) rejection of its overall Plan for Alternative Regulation ("PAR") proposal,[99] but the fact that such a proposal was introduced in the first place serves to demonstrate how a BOC's dominance of the local market can be leveraged to limit competition for toll services.

73. The potential for a BOC to extend its local service monopoly into the intraLATA toll market is not confined to the intrastate jurisdiction. Many LATAs cross state lines, and embrace *interstate* intraLATA toll routes that are subject to the intraLATA PIC but which are tariffed and rated as interstate toll calls. For example, the entire state of Delaware lies within the Philadelphia LATA. IntraLATA toll calls from points in Delaware to the Pennsylvania portion of the LATA, and vice versa, are rated as interstate, yet are carried by Verizon Delaware or Verizon Pennsylvania, as the case may be, for those customers who have selected the BOC as their intraLATA toll carrier. Verizon Delaware offers certain of its residential subscribers an

---

98. Application of Bell Atlantic-New Jersey, Inc. for Approval of a Modified Plan for an Alternative Form of Regulation and to Reclassify All Rate Regulated Services as Competitive Services, New Jersey, filed with the New Jersey Board of Public Utilities on December 30, 1999.

99. *In the Matter of Application of Bell Atlantic-New Jersey, Inc. for Approval of a Modified Plan for an Alternative Form of Regulation and to Reclassify All Rate Regulated Services as Competitive Services*, New Jersey BPU Docket No. TO99120934, *Order*, December 22, 2000.

optional extended area calling plan known as the "Two County Calling Plan," in which calls that would otherwise be rated as toll are included within the customer's unlimited local calling scope.[100] If the subscriber selects this plan, he must designate Verizon Delaware as his intra-LATA PIC, which means that interstate calls placed to the Philadelphia portion of the LATA will also be carried by Verizon. Similarly, Verizon Pennsylvania offers customers in certain Philadelphia LATA exchanges a type of selective calling option known as "Residence Calling Plus,"[101] providing unlimited calling to one or two nearby exchanges that would otherwise be rated as intraLATA toll. Here, too, the customer electing this expanded local calling option must designate Verizon Pennsylvania as his intraLATA PIC, which means that Verizon Pennsylvania will also carry that subscriber's other intraLATA toll calls including any interstate calls to Delaware. And, as with the cases of Massachusetts and New Jersey, if the customer designates an IXC as the intraLATA PIC, he will not be able to subscribe to the optional extended calling plan.

---

100. Verizon Delaware Inc., Tariff P.S.C.-Del. No. 3A, Sixth Revised Sheet 1C, issued and effective October 16, 2000; Twelfth Revised Sheet 4B, issued September 30, 2002, effective October 29, 2002. Significantly, the "Two County Calling Plan" appears in Verizon Delaware's Exchange Service Tariff, not its intrastate Message Telecommunications Service ("MTS") Tariff. However, a notation appearing on Sheet 4B states that "Two County Calling Plan customers are not eligible for Customer-Requested Toll Restriction."

101. Verizon Pennsylvania Inc., Informational Tariff for Competitive Services Pa. PUC No. 500, Original Sheets 7-14, issued September 20, 2001, effective March 15, 2002.